



Sustainability of Oil Palm Industry: The Perspective of Corporate Ownership Structure

BACKGROUND

Adoption of tropical forest sustainable practices among corporate players is a major challenge. South-East Asia is the world's number one palm oil producer. The development and success of agribusiness transnational corporations (TNCs) are affecting the regional agriculture systems¹.

HYPOTHESIS

Ownership structure of the TNCs may differ in adopting the sustainable tropical forest practices.

METHODOLOGY

Network analysis was used to study the behaviour of the 6 major Asian agribusiness TNCs (Olam, Sime Darby, Kuala Lumpur Kepong (KLK), IOI Corporation, Wilmar and Jaya Tiasa) involving 2611 companies.

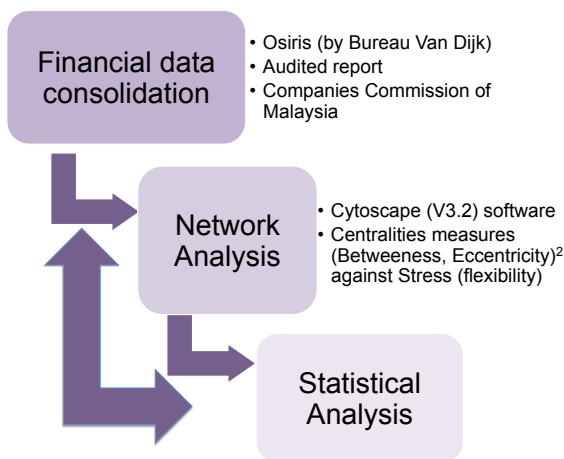


Figure 1: Methodology

RESULTS

There are 2 types of business ownership involved; family (Jaya Tiasa, KLK, IOI Corp, and Wilmar) and government (Sime Darby and OLAM).

Figure 2, corporate structure topology shows they are close and subset in each other's group. The size of the group and the cross-shareholdings was visualized in the topology. The family owned groups (Wilmar (2.44), Jaya Tiasa (2.31) and KLK (1.47)) have relatively high cross-shareholdings index.

Figure 3 shows their relevance in the agribusiness sector against the cross shareholdings. Family owned groups (Wilmar (227.3), IOI Corp (171.46) and KLK (143.28)) have the highest relevance (dominant) index.

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NORFARYANTI KAMARUDDIN¹
JEAN-MARC RODA²

¹INTROP, Universiti Putra Malaysia (UPM) Serdang, Malaysia.
²CIRAD, UPR BioWooEB, Universiti Putra Malaysia (UPM) Serdang, Malaysia
norfaryanti@upm.edu.my
jean-marc.roda@cirad.fr

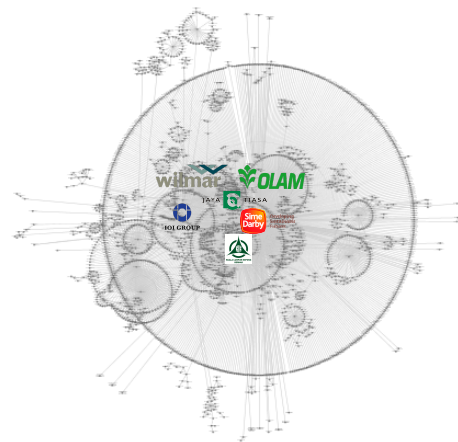


Figure 2: Corporate network topology

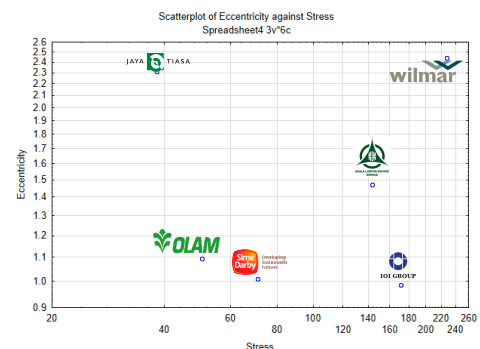


Figure 3: Relevance (Stress) and cross shareholdings (Eccentricity) of the companies

CONCLUSION

Family owned TNCs are the significant adopter to the sustainability of oil palm industry. It is crucial to expand the study scope to better understand their behaviours.

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